

## SENATE BILL No. 430

### DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3.5.

**Synopsis:** Local option tax distributions after annexation. Adjusts the formulas for distribution of revenue from the county adjusted gross income tax, the county option income tax, and the county economic development income tax to reduce the share of a municipality that annexes territory.

**Effective:** July 1, 2007.

**Gard**

January 11, 2007, read first time and referred to Committee on Tax and Fiscal Policy.

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First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

## SENATE BILL No. 430

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 6-3.5-1.1-1.1, AS ADDED BY P.L.207-2005,  
2       SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3       JULY 1, 2007]: Sec. 1.1. (a) For purposes of allocating the certified  
4       distribution made to a county under this chapter among the civil taxing  
5       units and school corporations in the county, the allocation amount for  
6       a civil taxing unit or school corporation is the amount determined using  
7       the following formula:

8               STEP ONE: **Subject to subsection (d)**, determine the sum of the  
9               total property taxes being collected by the civil taxing unit or  
10              school corporation during the calendar year of the distribution.

11             STEP TWO: Determine the sum of the following:

12               (A) Amounts appropriated from property taxes to pay the  
13               principal of or interest on any debenture or other debt  
14               obligation issued after June 30, 2005, other than an obligation  
15               described in subsection (b).

16               (B) Amounts appropriated from property taxes to make  
17               payments on any lease entered into after June 30, 2005, other



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than a lease described in subsection (c).

(C) The proceeds of any property that are:

(i) received as the result of the issuance of a debt obligation described in clause (A) or a lease described in clause (B); and

(ii) appropriated from property taxes for any purpose other than to refund or otherwise refinance a debt obligation or lease described in subsection (b) or (c).

STEP THREE: Subtract the STEP TWO amount from the STEP ONE amount.

STEP FOUR: Determine the sum of:

(A) the STEP THREE amount; plus

(B) the civil taxing unit's or school corporation's certified distribution for the previous calendar year.

(b) Except as provided in this subsection, an appropriation from property taxes to repay interest and principal of a debt obligation is not deducted from the allocation amount for a civil taxing unit or school corporation if:

(1) the debt obligation was issued; and

(2) the proceeds appropriated from property taxes;

to refund or otherwise refinance a debt obligation or a lease issued before July 1, 2005. However, an appropriation from property taxes related to a debt obligation issued after June 30, 2005, is deducted if the debt extends payments on a debt or lease beyond the time in which the debt or lease would have been payable if the debt or lease had not been refinanced or increases the total amount that must be paid on a debt or lease in excess of the amount that would have been paid if the debt or lease had not been refinanced. The amount of the deduction is the annual amount for each year of the extension period or the annual amount of the increase over the amount that would have been paid.

(c) Except as provided in this subsection, an appropriation from property taxes to make payments on a lease is not deducted from the allocation amount for a civil taxing unit or school corporation if:

(1) the lease was issued; and

(2) the proceeds were appropriated from property taxes;

to refinance a debt obligation or lease issued before July 1, 2005. However, an appropriation from property taxes related to a lease entered into after June 30, 2005, is deducted if the lease extends payments on a debt or lease beyond the time in which the debt or lease would have been payable if the debt or lease had not been refinanced or increases the total amount that must be paid on a debt or lease in excess of the amount that would have been paid if the debt or lease had

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not been refinanced. The amount of the deduction is the annual amount for each year of the extension period or the annual amount of the increase over the amount that would have been paid.

**(d) If an annexation by a municipality (as defined in IC 36-1-2-11) takes effect after June 30, 2007, the sum under subsection (a) STEP ONE of the total property taxes being collected by the municipality during a calendar year of distribution that succeeds the calendar year in which the annexation takes effect is reduced by the product of:**

**(1) one-half (1/2); multiplied by**

**(2) the part attributable to the annexed area of the property taxes being collected by the municipality during the calendar year of the distribution.**

SECTION 2. IC 6-3.5-6-1.1, AS ADDED BY P.L.207-2005, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 1.1. (a) For purposes of allocating the certified distribution made to a county under this chapter among the civil taxing units in the county, the allocation amount for a civil taxing unit is the amount determined using the following formula:

STEP ONE: **Subject to subsection (d)**, determine the total property taxes that are first due and payable to the civil taxing unit during the calendar year of the distribution plus, for a county, an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund.

STEP TWO: Determine the sum of the following:

(A) Amounts appropriated from property taxes to pay the principal of or interest on any debenture or other debt obligation issued after June 30, 2005, other than an obligation described in subsection (b).

(B) Amounts appropriated from property taxes to make payments on any lease entered into after June 30, 2005, other than a lease described in subsection (c).

(C) The proceeds of any property that are:

(i) received as the result of the issuance of a debt obligation described in clause (A) or a lease described in clause (B); and

(ii) appropriated from property taxes for any purpose other than to refund or otherwise refinance a debt obligation or lease described in subsection (b) or (c).

STEP THREE: Subtract the STEP TWO amount from the STEP ONE amount.

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STEP FOUR: Determine the sum of:

(A) the STEP THREE amount; plus

(B) the civil taxing unit or school corporation's certified distribution for the previous calendar year.

(b) Except as provided in this subsection, an appropriation from property taxes to repay interest and principal of a debt obligation is not deducted from the allocation amount for a civil taxing unit if:

(1) the debt obligation was issued; and

(2) the proceeds appropriated from property taxes; to refund or otherwise refinance a debt obligation or a lease issued before July 1, 2005. However, an appropriation from property taxes related to a debt obligation issued after June 30, 2005, is deducted if the debt extends payments on a debt or lease beyond the time in which the debt or lease would have been payable if the debt or lease had not been refinanced or increases the total amount that must be paid on a debt or lease in excess of the amount that would have been paid if the debt or lease had not been refinanced. The amount of the deduction is the annual amount for each year of the extension period or the annual amount of the increase over the amount that would have been paid.

(c) Except as provided in this subsection, an appropriation from property taxes to make payments on a lease is not deducted from the allocation amount for a civil taxing unit if:

(1) the lease was issued; and

(2) the proceeds were appropriated from property taxes; to refinance a debt obligation or lease issued before July 1, 2005. However, an appropriation from property taxes related to a lease entered into after June 30, 2005, is deducted if the lease extends payments on a debt or lease beyond the time in which the debt or lease would have been payable if it had not been refinanced or increases the total amount that must be paid on a debt or lease in excess of the amount that would have been paid if the debt or lease had not been refinanced. The amount of the deduction is the annual amount for each year of the extension period or the annual amount of the increase over the amount that would have been paid.

**(d) If an annexation by a municipality (as defined in IC 36-1-2-11) takes effect after June 30, 2007, the sum under subsection (a) STEP ONE of the total property taxes being collected by the municipality during a calendar year of distribution that succeeds the calendar year in which the annexation takes effect is reduced by the product of:**

**(1) one-half (1/2); multiplied by**

**(2) the part attributable to the annexed area of the property**

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1        **taxes being collected by the municipality during the calendar**  
 2        **year of the distribution.**

3        SECTION 3. IC 6-3.5-7-12 IS AMENDED TO READ AS  
 4        FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 12. (a) Except as  
 5        provided in sections 23, 25, 26, and 27 of this chapter, the county  
 6        auditor shall distribute in the manner specified in this section the  
 7        certified distribution to the county.

8        (b) Except as provided in subsections (c) and (h) and sections 15  
 9        and 25 of this chapter, **and subject to subsection (i)**, the amount of the  
 10        certified distribution that the county and each city or town in a county  
 11        is entitled to receive during May and November of each year equals the  
 12        product of the following:

13        (1) The amount of the certified distribution for that month;  
 14        multiplied by

15        (2) A fraction. The numerator of the fraction equals the sum of the  
 16        following:

17        (A) Total property taxes that are first due and payable to the  
 18        county, city, or town during the calendar year in which the  
 19        month falls; plus

20        (B) For a county, an amount equal to the property taxes  
 21        imposed by the county in 1999 for the county's welfare fund  
 22        and welfare administration fund.

23        The denominator of the fraction equals the sum of the total  
 24        property taxes that are first due and payable to the county and all  
 25        cities and towns of the county during the calendar year in which  
 26        the month falls, plus an amount equal to the property taxes  
 27        imposed by the county in 1999 for the county's welfare fund and  
 28        welfare administration fund.

29        (c) This subsection applies to a county council or county income tax  
 30        council that imposes a tax under this chapter after June 1, 1992. The  
 31        body imposing the tax may adopt an ordinance before July 1 of a year  
 32        to provide for the distribution of certified distributions under this  
 33        subsection instead of a distribution under subsection (b). **Subject to**  
 34        **subsection (j)**, the following apply if an ordinance is adopted under  
 35        this subsection:

36        (1) The ordinance is effective January 1 of the following year.

37        (2) Except as provided in sections 25 and 26 of this chapter, the  
 38        amount of the certified distribution that the county and each city  
 39        and town in the county is entitled to receive during May and  
 40        November of each year equals the product of:

41        (A) the amount of the certified distribution for the month;  
 42        multiplied by

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(B) a fraction. For a city or town, the numerator of the fraction equals the population of the city or the town. For a county, the numerator of the fraction equals the population of the part of the county that is not located in a city or town. The denominator of the fraction equals the ~~sum of the population of all cities and towns located in the county and the population of the part of the county that is not located in a city or town.~~

(3) The ordinance may be made irrevocable for the duration of specified lease rental or debt service payments.

(d) The body imposing the tax may not adopt an ordinance under subsection (c) if, before the adoption of the proposed ordinance, any of the following have pledged the county economic development income tax for any purpose permitted by IC 5-1-14 or any other statute:

(1) The county.

(2) A city or town in the county.

(3) A commission, a board, a department, or an authority that is authorized by statute to pledge the county economic development income tax.

(e) The department of local government finance shall provide each county auditor with the fractional amount of the certified distribution that the county and each city or town in the county is entitled to receive under this section.

(f) Money received by a county, city, or town under this section shall be deposited in the unit's economic development income tax fund.

(g) Except as provided in subsection (b)(2)(B), in determining the fractional amount of the certified distribution the county and its cities and towns are entitled to receive under subsection (b) during a calendar year, the department of local government finance shall consider only property taxes imposed on tangible property subject to assessment in that county.

(h) In a county having a consolidated city, only the consolidated city is entitled to the certified distribution, subject to the requirements of sections 15, 25, and 26 of this chapter.

**(i) If an annexation by a city or town takes effect after June 30, 2007, for purposes of the fraction under subsection (b)(2) the total property taxes that are first due and payable to a city or town during a calendar year that succeeds the calendar year in which the annexation takes effect is reduced by the product of:**

**(1) one-half (1/2); multiplied by**

**(2) the part attributable to the annexed area of the property taxes that are first due and payable to the city or town during the calendar year.**

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1       (j) If an annexation by a city or town takes effect after June 30,  
2       2007, for purposes of the fraction under subsection (c)(2)(B) used  
3       to determine a certified distribution in a calendar year that  
4       succeeds the calendar year in which the annexation takes effect the  
5       population of the city or town is reduced, and the population of the  
6       part of the county that is not located in a city or town is increased,  
7       by the product of:

8           (1) one-half ( $1/2$ ); multiplied by

9           (2) the part attributable to the annexed area of the population  
10          of the city or town.

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